

VZCZCXRO2083
RR RUEHBC RUEHDBU RUEHDE RUEHKUK RUEHLH RUEHMOS RUEHPA RUEHPW
DE RUEHNK #0377/01 0941905
ZNY CCCCC ZZH
R 041905Z APR 06
FM AMEMBASSY NOUAKCHOTT
TO RUEHC/SECSTATE WASHDC 5321
INFO RUEHZK/ECOWAS COLLECTIVE
RUCNISL/ISLAMIC COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0251
RUEHDO/AMEMBASSY DOHA 0080
RUEHBAD/AMCONSUL PERTH 0215
RUEAIIA/CIA WASHDC
RUEKDIA/DIA WASHDC
RUEHNO/USMISSION USNATO 0163
RUCPDOG/USDOC WASHDC

C O N F I D E N T I A L SECTION 01 OF 04 NOUAKCHOTT 000377

SIPDIS

SIPDIS

STATE FOR AF/W; AF/EPS (A. ADLER, J. HAENI); EB/ESC/IEC (K. RIOS); EB/CBA (D. WINSTEAD)
COMMERCE FOR 4510/IEP/ANESA/OA/PMICHELINI;
6930/ITA/MAS/MFG/OEEI/ABRICKMAN
DAKAR FOR RSCO CGRIFFIN

E.O. 12958: DECL: 04/04/2016

TAGS: [BBSR](#) [ECON](#) [EFIN](#) [EINV](#) [EPET](#) [MR](#)

SUBJECT: MAURITANIA'S PRESIDENT AND PRIME MINISTER RELEASE
STATEMENTS ON WOODSIDE DISPUTE

REF: A. NOUAKCHOTT 00365

[1](#)B. NOUAKCHOTT 00330

Classified By: AMBASSADOR JOSEPH LEBARON, REASON 1.4 (B), (D)

(U) Key Points

-- On March 30 Colonel Fal and Prime Minister Sidi Mohamed Ould Boubacar released separate statements regarding the resolution of the Woodside dispute. (informal translation of statements follow.)

-- Woodside and its joint partners have given to the Mauritians an up-front payment of 100 Million USD to settle its dispute.

-- Under the new arrangements, Woodside and its partners will reduce the maximum cost of recovery rate of Chinguetti production wells from 60 percent to 50 percent when the oil price is 55 USD a barrel or higher.

-- Woodside will no longer be exonerated from certain tax breaks that were arranged with the previous Mauritanian government.

-- The Mauritanian government will receive a bigger cut of the profit from production when oil prices are at least 55 USD a barrel.

-- The new deal also states that Woodside and its partners will establish an operational center in the country's capital, Nouakchott

-- Media reports state that Qatari Cheikh Mohamed Abdallahi Al Thani acted as a mediator between Woodside and the Mauritanian government during negotiations in Dubai.

(C) Comments

-- On the face of things it appears that the Mauritians have come out on top but the concessions that Woodside have received are unknown. This is a large win for the Mauritanian people and government and is viewed as victory for safeguarding their oil legacy. The perception of international investors towards Mauritania is still unknown.

-- The Mauritians are extremely happy with the resolution of the dispute, in particular with the 100 million USD payment. This payment will bring an influx of money into the coffers of the Mauritanian government and will double their annual budget.

-- Many in Mauritania are not happy with the release of the former Minister of Oil and Energy, Zeidane Ould H'meyda and view it as an undermining of the judicial system.
End Key Points and Comments.

(U) Informal Translation of Speech by Colonel Ely Ould Mohamed Fal

My dear citizens,

It is within the framework of the commitments of the Military Council for Justice and Democracy and the Transitional Government regarding total transparency in the management of issues of public interest that I address you today to talk about developments concerning a problem of major national interest.

It concerns the dispute with the company Woodside over the so-called amendments to the Petroleum Production Sharing

NOUAKCHOTT 00000377 002 OF 004

Contracts, an issue which I have previously spoken about with you.

I am pleased on this occasion to announce the favorable resolution of this crisis which has been settled through negotiations.

Indeed, the parties have decided, through an agreement, to only take into consideration the initial contracts to which improvements serving the national interest had been introduced.

It is a return to terms representing a fair and equitable partnership with Woodside.

Beyond this important achievement which preserves the interests of the country, it also marks the reestablishment of Mauritanian law as well as the respect and the credibility of the State and its institutions, in conformity with the various legislation that regulate investment in the petroleum sector.

I take this opportunity to congratulate the Mauritanian people for these important results.

My dear citizens,

It is also the place for me to voice my appreciation of the position of Woodside which has finally chosen to agree to respond to the legitimate expectations of our people.

This allows us to inaugurate a new era of an equal and long term partnership with the company.

I would also like, finally, to reiterate the commitment of Mauritania to its policy of encouraging investment and to assure investors of the best conditions and all the guarantees and legal protection possible.

Two months ago, exactly the 5th of February, I informed you in this same place of the dispute that we had with Woodside concerning the four amendments of the PSCs of which we contested the legality and not being in line with the national interest. Today I have the pleasure to announce to you that this dispute has been resolved through negotiations. The government and Woodside have concluded an MOU which inaugurates a privileged, durable and equal partnership.

According to the terms of the MOU, the disputed amendments are suspended and will be canceled and replaced by revised PSCs in order to take into account the several points contained in the MOU. The revisions will obviously be made according to the procedures set out under Mauritanian law.

The cancellation of the amendments means, of course, that the clauses that I spoke about in front of all of you on February 5, and which we described as contrary to the law and contrary to the national interest will be canceled. I remind you that the essential parts of these clauses concerned the drop in the production share of the state in the profit/ton in certain zones, the lightening of restrictions in terms of environmental protection, which implied the risk to the marine fauna and flora and the long term effect on our fishing resources. Also canceled are the reduction of tax of 15 percent in certain zones as well as the monopoly of exploration and production for a number of years in certain areas because these areas will be sold.

Canceled is also the exoneration from the imposition of capital gains tax on the sale of shares as well as the clause concerning the immediate recovery of the costs of appraisal wells. For abandonment costs, provisions will be made and banked into a trust account for a period of three years before the

NOUAKCHOTT 00000377 003 OF 004

expected end of the life of the field.

Canceled as well is the clause that gives the contractor the possibility to sole-source for the acquisition of goods and services in the context of petroleum operations which are recoverable costs and as such chargeable, in part, to Mauritania.

Other canceled terms include the reduction of the obligation to carry out two exploration wells to one single well in certain zones as well as the clause that centralizes the accounting in Australia and only makes allowance for non-electronic accounting in Nouakchott because the company will set up henceforth in Nouakchott an operations center to undertake all petroleum operations from the territory and, obviously, with an accounting system on the national territory.

Also canceled is cost recovery on PSC B of the costs of Chinguetti 1 which was initially considered as a Zone A obligation.

Also canceled was the clause that cancelled the ban on petroleum and gas sales to countries declared as hostile to Mauritania as well as the easing of the procedures of sale of shares from one affiliated company to another of a contractor.

Also canceled are the clauses that allowed the contractor and its sub-contractors to use insurance coverage from foreign companies to the detriment of local insurance companies as well as the article which cancelled the requirement for the payment of the minimum obligations guarantee.

These were the clauses about which I talked to you and which we said were unacceptable for Mauritania and which would be canceled.

In order to respond to the concerns of Woodside regarding the stability of its on-going investments in the country, the extensions to the exploration periods for the joint venture of which it is the operator will be guaranteed. However, Woodside must fulfill its obligations relating to surface fees payments, in conformity to the law and the PSCs.

In addition, Woodside will pay the State of Mauritania a bonus of 100 million dollars 14 days after the approval of the revised PSC. This bonus is neither recoverable nor fiscally deductible.

The Mauritanian Hydrocarbons Company (SMH) which is part of the consortium is exempted from participating in this bonus.

The MOU provides new arrangements for the cost-oil ceiling for Chinguetti. Instead of 60 percent initially agreed, the ceiling will now be 50 per cent as long as the price of petrol is more or equal to 55 dollars per barrel. In the same spirit, the MOU provides that, on the Chinguetti production, when the market price is superior to that of 55 dollars a barrel, the Government will receive an additional profit of 5 percent for the tranche of profit oil which corresponds to the part of the price more than this ceiling of 55 dollars per barrel.

Concerning the protection of the environment, the Government and Woodside have agreed to collaborate together to insure the management of environmental risks according to the precaution principle and to put in place an annual fund of one million dollars for the environmental funded by Woodside, and during the period in which the operator is in production.

Concerning the tax rate, in terms of corporation tax applicable to Woodside, the MOU returns to the initial PSCs and excludes the innovations that the amendments expected to introduce.

The MOU provides as well that the present exclusive zone (EEA) for Chinguetti be redefined between the Government and

NOUAKCHOTT 00000377 004 OF 004

Woodside, in such a way that 50 per cent of this zone will be returned to the PSC.

The MOU provides, in terms of abandonment and decommissioning of the site, which, as a general rule, deductible and recoverable, that these amounts be providing for and deposited into a trust account three years before the end of the life of the field. This allows the reconciliation of the concerns of the Government and of Woodside.

Finally, the MOU provides that Woodside put in place an operations center in Nouakchott, that is to say a center that will be equipped with all the necessary means for the conduct and management of petroleum operations from the territory of Mauritania, including accounting, which could facilitate the collaboration between the two parties in a spirit of technology transfer. For the Government it is a way to ensure that the PSCs fulfill its basic objectives, which is the transfer of technology in the petroleum sector.

When the Government raised the issue of the four amendments to the PSCs, its objectives were two-fold. On the one hand, it was necessary to avoid ratifying obvious infringements of Mauritanian laws regulating the oil and gas exploration and production activities, and on the other hand to refuse to put into effect to these clauses made in the interest of one single party.

At the same time, we have always shown our full and total availability to find a solution with our partner through a friendly process, compatible with Mauritanian law and in conformity with the imperative of balance which must be the foundation of all durable and equal partnerships.

Our concerns were met with goodwill on the part of Woodside who is our principal partner today in the petroleum industry. A page has thus been turned, and another opens. It will be one based in the respect of the law, of good intentions and transparency, which can only be the source of security of investments and the public interest.

I must therefore before you thank Woodside for its availability it has expressed to work, in cooperation with the Mauritanian Government, toward a sustainable, transparent and mutually beneficial partnership.

These are the essential elements of the MOU that the Government of Mauritania has just signed with Woodside.

The Government has kept its promise to keep you informed immediately, as it has been its practice to keep you informed of the developments of the major large issues of the day.

I remain available to take questions and provide clarifications.

Thank you.

End Informal translations.

LeBaron
LeBaron